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INFO RHEHWSR/WHITE HOUSE SITUATION ROOM WASHINGTON DC PRIORITY  
RUEKJCS/SECDEF WASHINGTON DC PRIORITY

RUCNRAO/IRAQ COLLECTIVE

RUEATRS/DEPT OF TREASURY WASHDC

RUEAIIA/CIA WASHDC

RUEKJCS/DIA WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000082

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TAGS: ECON EFIN POL PGOV PINR KDEM IZ

SUBJECT: EXECUTION OF THE FY 2006 BAGHDAD PROVINCIAL  
INVESTMENT BUDGET

Classified By: Classified by Acting PRT Leader Robert Ruch for reasons  
1.4 (b) and (d).

**¶11. (C) SUMMARY:** The Province of Baghdad was allocated \$513 million for capital projects in Fiscal Year 2006 (which corresponds to the calendar year). The money was divided primarily between the Mayor, with \$333 million, and the Governor, who received \$100 million; with the remaining \$80 million going back to the national Ministry of Education and the Ministry of Health to supplement funding of school and hospital projects in the city. The budget allocations were agreed to over a series of closed-door meetings between the Provincial Council (PC) Chairman Mueen al-Khademi, PC Economic Committee Chairman Kamel Shabibi, Governor Hussein al-Tahan and Mayor Saber al-Essawi. The Governor's budget is all but exhausted, with bids awarded for a total of \$92.5 million, but the Mayor has only executed \$165.4 million, or just under 50 percent of his budget for the year. However, the Province did not receive the lion's share - 60 percent - of its budget from the central government until the end of the year. According to Shabibi, the city government has until March 31, 2007 to spend all of its FY 2006 investment funds. END SUMMARY.

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Funds Release  
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**¶12. (U)** The Ministry of Finance (MOF) released 40 percent of the Province's investment budget by the end of August 2006 and the PC did not receive the remaining 60 percent until the week of December 18, 2006. Complicating matters, the PC waited until it was in possession of the funds before deciding how they would be distributed. The Mayor and the Governor, in turn, did not prepare line-item budgets until they were sure of their share. Even then, the Mayor's office was slow to determine project priorities and allocate funds with 60 percent of their budget still outstanding.

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The Mayor: Spending Slowly  
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**¶13. (C)** The Mayor's office, or "Amanat Baghdad," has awarded bids for 53 projects totaling \$165.4 million as of December 18, 2006. PC Economic Committee Chairman Shabibi provided the PRT with a spreadsheet from the Amanat detailing the projects that have been awarded along with those that are under review as well as projects that have been re-announced after failing to receive any bids. The 53 awarded bids include eight sewage projects for a total of \$96,106,239 plus 11 projects to enhance access to purified water for a total of \$3,398,768 and seven irrigation projects for \$1,362,064.

There are 21 various small-scale infrastructure projects and four bids awarded for street cleaning in the Shula, Mansour, Khadimiya and Rasheed districts. The budget also includes \$21,360,314 for equipment including air compressors, asphalt pavers, excavators, rollers, fork lifts, garbage compactors and dump trucks. The Amanat has not provided specific locations to the PC or the PRT despite repeated requests for this information and therefore implementation of the projects cannot be verified.

**¶4.** (U) The Amanat has yet to commit just over half of its 2006 investment budget, or \$168 million. 24 asphalt and clean-up projects are listed as "under study and analysis" and 51 mostly water and sewage projects have recently been re-announced for bids. 41 road and sewage projects will soon be announced as ready for bids. None of these proposed projects are listed with an estimated cost, though the Amanat claims that these projects will utilize the entire remainder of the budget. The Amanat again did not provide specific locations for these proposed projects.

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The Governor: Making Progress  
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**¶5.** (U) The Governor, who is responsible for the six regions, or "qadas" that surround the city itself to form Baghdad Province, has awarded 65 bids for projects totaling \$92,552,464 out of a \$100 million budget. The 65 bids include 17 street projects totaling \$8,175,763; 13 water projects for \$9,851,904 and eight small construction projects for \$1.6 million, plus four bids for six school construction projects for a total of \$854,184 and \$3,789,297 to build an

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asphalt factory. The Governor has also awarded bids for \$21,198,642 for vehicles and industrial equipment such as compactors, asphalt spreading machines, hydraulic drills, submersible pumps and garbage-pressing machines. The single biggest endeavor in the budget is a \$24,598,793 line-item to install cameras on or at Baghdad's many gates.

**¶6.** (U) The Governor includes 132 projects yet to be awarded and without cost estimates; mostly construction and maintenance projects. The Governor's list is significantly more descriptive than the Mayor's and lists specific streets and intersections where the projects are located, but lack of cost estimates may slow budget execution.

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Insufficient Budget Planning  
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**¶7.** (C) The PRT has pressed the PC Economic Committee Chairman, Kamel Shabibi, on the importance of instituting a standardized budget allocation process that should be followed by the Governor's office and the Amanat. Shabibi is the most forthcoming of PRT contacts when it comes to sharing information, but he has politely resisted PRT attempts to work with his staff to help develop a transparent budget process. It is unclear whether he fails to see the need for such a process or if he simply does not feel free to grant such access without risking his independence within the PC.

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A Look Ahead to FY 2007  
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**¶8.** (C) Shabibi reports that he expects Baghdad Province to receive \$650 million for capital projects in 2007 and he presumes that the division of funds will again tilt heavily toward the Amanat. He is perplexed and frustrated by the requirement to pass back a significant portion of the budget to both the Ministry of Health and Ministry of Education, which receive separate budgets, and charges that they are not able to spend what they already have.

¶ 9. (C) There is no evidence that either the Amanat or the Governor's office has begun to plan their 2007 budget priorities. Shabibi seems content to worry about the remaining funds from 2006 and wait for the Council of Representatives to determine the 2007 provincial investment budget before urging the Mayor and Governor to develop a transparent and systematic budget process. However, PRT/USAID Local Governance Program staff continues to engage Shabibi and hopes to work with the PC in an advisory role to establish such procedures once the Council of Representatives finalizes the national budget.

KHALILZAD